

**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2007**

**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT  
FOR THE YEAR ENDED JUNE 30, 2007  
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**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT**

**BOARD MEMBERS AND OFFICIALS**

**June 30, 2007**

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**Board of Education (Before September 2006 Election)**

<u>Name</u>		<u>Term Expires</u>
Mark Warntjes	President	September, 2006
Brenda Westra	Vice President	September, 2007
Joel Heitritter	Board Member	September, 2008
Douglas Beukelman	Board Member	September, 2006
Nancy Dykstra	Board Member	September, 2008

**Board of Education (After September 2006 Election)**

Mark Warntjes	President	September, 2009
Brenda Westra	Vice President	September, 2007
Joel Heitritter	Board Member	September, 2008
Douglas Beukelman	Board Member	September, 2009
Nancy Dykstra	Board Member	September, 2008

**Officials**

Steve Grond	Superintendent	June 30, 2007
Sue Huls	District Secretary/Treasurer/ Business Manager	June 30, 2007
John De Koster	Attorney	Indefinite



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Le Mars, IA 51031  
Phone (712) 546-7801  
Fax (712) 546-6543

## INDEPENDENT AUDITORS' REPORT

To the Board of Education of  
Boyden-Hull Community School District  
Hull, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Boyden-Hull Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Boyden-Hull Community School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of Boyden-Hull Community School District as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2008, on our consideration of the Boyden-Hull Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Boyden-Hull Community School District's basic financial statements. The financial statements for the three years ended June 30, 2006 (which are not presented herein) were audited by other auditors in accordance with the standards referred to in the second paragraph of this report and they expressed unqualified opinions on those financial statements. Other supplementary information, included in Schedules 1 through 9, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in

our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

*Williams & Langman, P.C.*  
CERTIFIED PUBLIC ACCOUNTANTS

Le Mars, Iowa  
January 8, 2008

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## **BOYDEN-HULL COMMUNITY SCHOOL DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS**

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Boyden-Hull Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2007 FINANCIAL HIGHLIGHTS**

General fund revenues decreased from \$5,214,820 in fiscal 2006 to \$4,989,747 in fiscal 2007, while General fund expenditures increased from \$5,066,660 in fiscal 2006 to \$5,233,712 in fiscal 2007. The District's General fund balance decreased from \$652,405 in fiscal 2006 to \$408,440 in fiscal 2007, a 37% decrease.

The decrease in General fund revenues was attributable to a reduction in special-education state aid. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Boyden-Hull Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Boyden-Hull Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**

***GASB 34 Boyden-Hull Community School District Annual Financial Report***

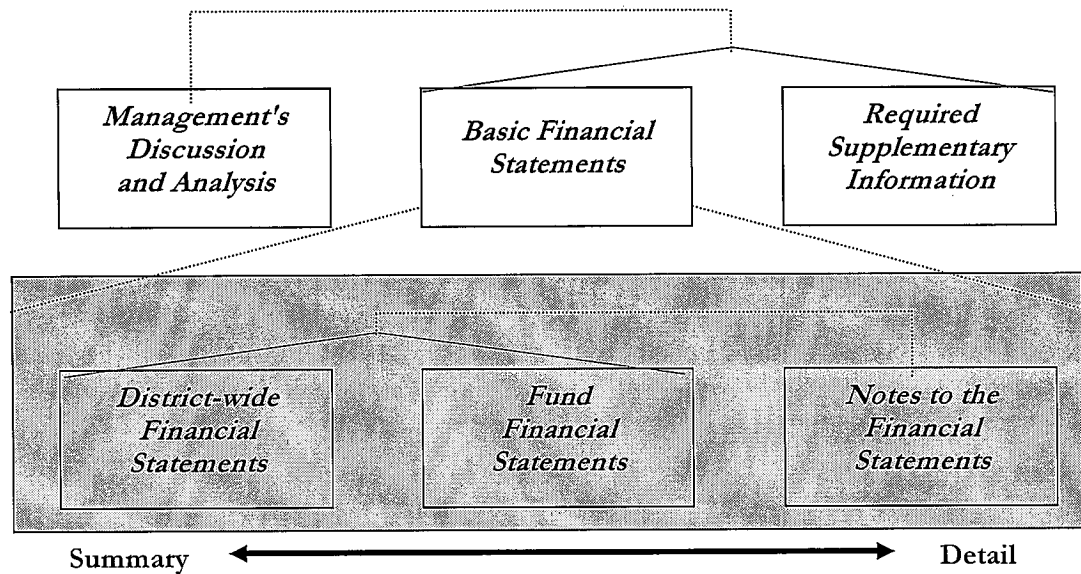


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**

**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary Funds:* The District is the trustee, or fiduciary, for assets that belong to others. The District's agency funds include the employee flex cafeteria plan and the employee pop money. The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes this activity from the government-wide statements because it cannot use these to finance its operations.

The required financial statements for fiduciary funds includes a statement fiduciary net assets and a statement of changes in fiduciary net assets.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2006 and 2007.

**Figure A-3 Condensed Statement of Net Assets**

	Governmental Activities		Business-type Activities		Total District		Total % Change
	2006	2007	2006	2007	2006	2007	
Current and other assets	\$ 3,794,820	\$4,519,397	\$13,980	\$ 14,854	\$3,808,800	\$ 4,534,251	19.0%
Capital Assets	3,996,501	4,612,248	6,717	23,192	4,003,218	4,635,440	15.8%
<b>Total Assets</b>	<b>7,791,321</b>	<b>9,131,645</b>	<b>20,697</b>	<b>38,046</b>	<b>7,812,018</b>	<b>9,169,691</b>	<b>17.4%</b>
Current Liabilities	2,367,805	2,383,371	584	27,232	2,368,389	2,418,286	2.1%
Long-Term Liabilities	2,333,990	3,422,006	-	-	2,333,990	3,034,846	46.3%
<b>Total Liabilities</b>	<b>4,701,795</b>	<b>5,805,377</b>	<b>584</b>	<b>27,232</b>	<b>4,702,379</b>	<b>5,832,609</b>	<b>24.0%</b>
Net Assets Invested in capital assets, net of related debt	1,556,501	1,312,248	6,717	23,192	1,563,218	1,335,440	-14.6%
Restricted	886,579	463,436	-	-	886,579	463,436	-47.7%
Unrestricted	646,446	1,550,584	13,396	(12,378)	659,842	1,538,206	133.1%
<b>Total Net Assets</b>	<b>\$ 3,089,526</b>	<b>\$3,326,268</b>	<b>\$ 20,113</b>	<b>\$ 10,814</b>	<b>\$ 3,109,639</b>	<b>\$ 3,337,082</b>	<b>7.3%</b>

The District's combined net assets increased by 7.3%, or approximately \$227,000 over the prior year. The governmental activities increased \$236,742 and the business-type activities decreased \$9,299.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets decreased over \$420,000 or approximately 47.7% from the prior year. The decrease was primarily a result of the reclassification of the Capital Projects – LOST net assets as unrestricted in the current year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations

without constraints established by debt covenants, enabling legislation, or other legal requirements – increased approximately \$878,364 or 133.1%. A large portion of the increase was due to the reclassification of the Capital Projects – LOST net assets as unrestricted in the current year. The other large portion is due to issuing bonds in the Capital Projects – LOST fund in the current year.

Figure A-4 shows the change in net assets for the year ended June 30, 2006 and 2007.

**Figure A-4 Changes in Net Assets from Operations**

	Governmental Activities		Business-type Activities		Total District		Total % Change
	2006	2007	2006	2007	2006	2007	
Revenue							
Program Revenue:							
Charges for Services	\$ 633,410	\$ 468,055	\$ 132,444	\$ 149,473	\$ 765,854	\$ 617,528	-19.4%
Operating Grants and Contributions	725,941	903,810	104,979	109,706	830,920	1,013,516	22.0%
Capital Grants and Contributions	18,842	-	-	-	18,842	-	-100.0%
General Revenues:							
Property Tax	1,798,608	1,892,638	-	-	1,798,608	1,892,638	5.2%
Instructional Support Surtax	134,016	133,096	-	-	134,016	133,096	-0.7%
Local Option Sales Tax	360,725	379,272	-	-	360,725	379,272	5.1%
Unrestricted State Grants	2,419,773	2,156,854	-	-	2,419,773	2,156,854	-10.9%
Unrestricted Investment Earnings	39,847	100,681	73	65	39,920	100,746	152.4%
Other	9,359	7,553	-	75	9,359	7,628	-18.5%
<b>TOTAL REVENUES</b>	<b>6,140,521</b>	<b>6,041,959</b>	<b>237,496</b>	<b>259,319</b>	<b>6,378,017</b>	<b>6,301,278</b>	<b>-1.2%</b>
Program Expenses:							
Instruction	3,702,717	3,867,224	-	-	3,702,717	3,867,224	4.4%
Support Services	1,471,784	1,427,691	-	-	1,471,784	1,427,691	-3.0%
Non-instructional Programs	20,045	24,494	246,116	273,111	266,161	297,605	11.8%
Other Expenses	512,619	481,315	-	-	512,619	481,315	-6.1%
<b>TOTAL EXPENSES</b>	<b>5,707,165</b>	<b>5,800,724</b>	<b>246,116</b>	<b>273,111</b>	<b>5,953,281</b>	<b>6,073,835</b>	<b>20.0%</b>
Excess Before Transfers	433,356	241,235	(8,620)	(13,792)	424,736	227,443	-46.5%
Transfers	-	(4,493)	-	4,493	-	-	-
<b>Change in Net Assets</b>	<b>\$ 433,356</b>	<b>\$ 236,742</b>	<b>\$ (8,620)</b>	<b>\$ (9,299)</b>	<b>\$ 424,736</b>	<b>\$ 227,443</b>	<b>-46.5%</b>

Property tax, instructional support surtax, local option sales tax, and unrestricted state grants account for 72% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 89% of the total expenses.

### Governmental Activities

Figure A-5 presents the cost of four major district activities: instruction, support services, non-instructional programs and other expenses. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial impact placed on the taxpayers by each function.

**Figure A-5 Net Cost of Governmental Activities**

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2006	2007		2006	2007	
Instruction	\$ 3,702,717	\$ 3,867,224	4.4%	\$ 2,604,838	\$ 2,892,187	11.0%
Support Services	1,471,784	1,427,691	-3.0%	1,487,117	1,288,467	-13.4%
Non-Instructional	20,045	24,494	22.2%	20,045	-	-100.0%
Other	512,619	481,315	-6.1%	266,598	248,205	-6.9%
TOTAL	\$5,707,165	\$5,800,724	1.6%	\$ 4,378,598	\$4,428,859	1.1%

- The cost financed by users of the District's programs was \$468,055.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$903,810. This includes a Family Literacy Grant the district received through the Northwest Iowa Community College for \$24,500. The net cost of governmental activities was financed with \$2,405,006 in property and other taxes and \$2,156,854 in unrestricted state grants.

### **Business Type Activities**

Revenues of the District's business type activity (school food and nutrition services) were \$259,319 and expenses were \$273,111. (Refer to Figure A-4). Revenues of this activity were comprised of charges for service, federal and state reimbursements and investment income. Revenues increased from \$237,496 in fiscal 2006 to \$259,319 in fiscal 2007, while expenses increased from \$246,116 in fiscal 2006 to \$273,111 in fiscal 2007. Increases were primarily caused by the District implementing an ala carte program in the Junior-Senior High facility.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, Boyden-Hull Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,078,251 topping last year's ending fund balances of \$1,603,514.

### **Governmental Fund Highlights**

- The District's improved General Fund financial position is the result of increased property tax and instructional support income surtax.
- The increase in the Debt Service fund balance is due to the sinking fund requirements related to the LOST revenue bonds issued in the current year.
- The Capital Project LOST fund balance increased from \$502,816 in fiscal 2006 to \$1,145,710 in fiscal 2007. This fund balance will be used to retire the LOST revenue bonds as they come due.

## Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$20,113 at June 30, 2006 to \$10,814 at June 30, 2007. The decrease was due primarily to increased food and labor costs.

## BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing. The budget may be amended during the year utilizing statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. During the year, expenditures in the other expenditures function exceeded the amount budgeted. This was due to the elementary building project. Detail can be found in the required supplementary information section of this report as required.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2007, the District had invested \$7,592,491 in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices. (See Figure A-6) More detailed information about capital assets can be found in Note 6 to the financial statements. Total depreciation expense for the year was \$214,583.

The largest change in capital asset activity during the year occurred in the construction in progress category. The increase in the construction in progress reflects the costs associated with the elementary school addition and renovation project.

**Figure A-6 Capital Assets**

	Governmental Activities		Business-type Activities		Total District		Total % Change
	2006	2007	2006	2007	2006	2007	
Land	\$ 318,751	\$318,751	\$ -	\$ -	\$ 318,751	\$ 318,751	-
Constr. In Progress	-	585,767	-	-	-	585,767	100.0%
Buildings	4,654,143	4,654,143	-	-	4,654,143	4,654,143	-
Improvements other than Buildings	518,505	574,273	-	-	518,505	574,273	10.8%
Furniture and Equipment	1,250,708	1,388,482	51,596	71,075	1,302,304	1,459,557	12.1%
<b>Total Assets</b>	<b>\$6,742,107</b>	<b>\$7,521,416</b>	<b>\$ 51,596</b>	<b>\$ 71,075</b>	<b>\$6,793,703</b>	<b>\$ 7,592,491</b>	<b>11.8%</b>

### **Long-Term Debt**

At year end, the District had \$2,300,000 in general obligation bonds outstanding, \$1,000,000 in LOST revenue bonds outstanding, \$114,323 in early retirement obligations and \$7,683 in compensated absences. This is an increase of \$917,920 from the prior year. The increase is largely due to the issuance of the LOST revenue bonds. Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

### **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District enrollment for 2007-08 remains stable which will positively affect the 2008-09 budget.
- There continues to be considerable economic expansion in the Hull area with ag-related business growth such as a cheese factory and an ethanol plant. Both Boyden and Hull have recently constructed housing developments. The two towns are also "bedroom" communities to Sioux Center and Orange City, as housing costs tend to be lower.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Susan Huls, Business Manager and District Secretary, Boyden-Hull Community School District, 801 1st Street, Hull, Iowa 51239.

**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2007**

	Governmental Activities	Business Type Activity	Total
<b>ASSETS</b>			
Cash and Pooled Investments	\$ 2,150,170	\$ -	\$ 2,150,170
Receivables:			
Property Tax	21,086	-	21,086
Succeeding Year Property Tax	1,948,560	-	1,948,560
Accounts	3,587	500	4,087
Due from Other Governments	216,937	-	216,937
Restricted Assets:			
Cash and Pooled Investments	64,437	-	64,437
Prepaid Expense	110,503	-	110,503
Inventories	-	14,354	14,354
Bond Issue Costs	4,117	-	4,117
Land	318,751	-	318,751
Construction in Progress	585,767	-	585,767
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	3,707,730	23,192	3,730,922
Total Assets	9,131,645	38,046	9,169,691
<b>LIABILITIES</b>			
Cash Deficit	-	1,569	1,569
Accounts Payable	440,334	19	440,353
Interfund Balances	(22,471)	22,471	-
Accrued Interest Payable	16,948	-	16,948
Unearned Revenue	-	3,173	3,173
Deferred Revenue - Succeeding Year Taxes	1,948,560	-	1,948,560
Noncurrent Liabilities:			
Due Within One Year:			
G.O. Bonds Payable	145,000	-	145,000
Revenue Bonds Payable	142,857	-	142,857
Early Retirement Payable	91,620	-	91,620
Accrued Compensated Absences	7,683	-	7,683
Due in More Than One Year:			
G.O. Bonds Payable	2,155,000	-	2,155,000
Revenue Bonds Payable	857,143	-	857,143
Early Retirement Payable	22,703	-	22,703
Total Liabilities	5,805,377	27,232	5,832,609
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	1,312,248	23,192	1,335,440
Restricted for:			
Debt Service	53,443	-	53,443
Management Levy	27,242	-	27,242
Physical Plant and Equipment Levy	160,792	-	160,792
Other Special Revenue Purposes	221,959	-	221,959
Unrestricted	1,550,584	(12,378)	1,538,206
Total Net Assets	\$ 3,326,268	\$ 10,814	\$ 3,337,082

See Accompanying Notes to Financial Statements

**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants Contributions	Capital Grants Contributions
<b>Governmental Activities:</b>				
Instruction:				
Regular Instruction	\$ 2,496,436	\$ 307,648	\$ 271,059	\$ -
Special Instruction	882,231	17,964	224,794	-
Other Instruction	488,557	131,852	21,720	-
Support Services:				
Student Services	118,532	-	6,240	-
Instructional Staff Services	43,669	-	-	-
Administration Services	515,445	-	77,394	-
Operation and Maintenance	474,419	9,699	-	-
Transportation Services	275,626	892	44,999	-
Non-instructional Programs	24,494	-	24,494	-
Other Expenditures:				
Facilities Acquisition and Construction Services	131,704	-	-	-
Long-term Debt Interest	116,501	-	-	-
AEA Flowthrough	233,110	-	233,110	-
Total governmental activities	<u>5,800,724</u>	<u>468,055</u>	<u>903,810</u>	<u>-</u>
<b>Business Type Activity:</b>				
Non-instructional Programs				
Food Service Operations	273,111	149,473	109,706	-
Total	<u>\$ 6,073,835</u>	<u>\$ 617,528</u>	<u>\$ 1,013,516</u>	<u>\$ -</u>
<b>General Revenues:</b>				
Property Tax Levied For:				
General Purposes				
Debt Service				
Capital Outlay				
Instructional Support Surtax				
Local Option Sales Tax				
Unrestricted State Grants				
Unrestricted Investment Earnings				
Other				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net Assets - Beginning				
Prior Period Adjustment				
Net Assets - Beginning of Year, Restated				
Net Assets - Ending				

See Accompanying Notes to Financial Statements



Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activity	Total
\$ (1,917,729)		\$ (1,917,729)
(639,473)		(639,473)
(334,985)		(334,985)
(112,292)		(112,292)
(43,669)		(43,669)
(438,051)		(438,051)
(464,720)		(464,720)
(229,735)		(229,735)
-		-
(131,704)		(131,704)
(116,501)		(116,501)
-		-
(4,428,859)		(4,428,859)
-	\$ (13,932)	(13,932)
(4,428,859)	(13,932)	(4,442,791)
1,690,271	-	1,690,271
102,141	-	102,141
100,226	-	100,226
133,096	-	133,096
379,272	-	379,272
2,156,854	-	2,156,854
100,681	65	100,746
7,553	75	7,628
(4,493)	4,493	-
4,665,601	4,633	4,670,234
236,742	(9,299)	227,443
3,008,636	20,113	3,028,749
80,890	-	80,890
3,089,526	20,113	3,109,639
\$ 3,326,268	\$ 10,814	\$ 3,337,082

See Accompanying Notes to Financial Statements

**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007**

	General	Debt Service	Capital Projects LOST	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Pooled Investments	\$ 313,351	\$ 4,901	\$1,319,264	\$ 512,654	\$ 2,150,170
Receivables:					
Property Tax	17,380	1,053	-	2,653	21,086
Succeeding Year Property Tax	1,476,061	251,458	-	221,041	1,948,560
Accounts	2,850	-	-	737	3,587
Due from Other Funds	10,000	-	-	12,471	22,471
Due from Other Governments	138,988	-	77,949	-	216,937
Restricted Assets:					
Cash and Pooled Investments	-	64,437	-	-	64,437
Prepaid Expense	42,963	-	-	-	42,963
Total Assets	<u>2,001,593</u>	<u>321,849</u>	<u>1,397,213</u>	<u>749,556</u>	<u>4,470,211</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	117,092	-	251,503	71,739	440,334
Early Retirement Payable	-	-	-	3,066	3,066
Deferred Revenue - Succeeding Year Property Taxes	1,476,061	251,458	-	221,041	1,948,560
Total Liabilities	<u>1,593,153</u>	<u>251,458</u>	<u>251,503</u>	<u>295,846</u>	<u>2,391,960</u>
Fund Balances:					
Reserved for:					
Debt Service	-	70,391	-	-	70,391
Prepaid Insurance	42,963	-	-	-	42,963
Unreserved for:					
General Fund	365,477	-	-	-	365,477
Special Revenue Fund	-	-	-	453,710	453,710
Capital Project Fund	-	-	1,145,710	-	1,145,710
Total Fund Balances	<u>408,440</u>	<u>70,391</u>	<u>1,145,710</u>	<u>453,710</u>	<u>2,078,251</u>
Total Liabilities and Equity	<u>\$ 2,001,593</u>	<u>\$ 321,849</u>	<u>\$ 1,397,213</u>	<u>\$ 749,556</u>	<u>\$ 4,470,211</u>

See Accompanying Notes to Financial Statements

**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2007**

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Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 16)			\$ 2,078,251
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.			4,612,248
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources			67,540
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.			(16,948)
Bond issue costs are reported in the governmental activities but are not reported in the governmental funds as they do not provide current economic resources.			4,117
Accrued compensated absences are not reported on the modified accrual basis.			(7,683)
Long-term liabilities, including bonds payable, lease obligations payable, and early retirement payable are not due and payable in the current period and therefore are not reported in the funds.			
	G.O. bonds payable	\$ (2,300,000)	
	Revenue bonds payable	(1,000,000)	
	Early Retirement	(111,257)	(3,411,257)
Total Net Assets - Governmental Activities (page 13)			<u>\$ 3,326,268</u>

See Accompanying Notes to Financial Statements

**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	General	Debt Service	Capital Projects LOST	Other Governmental Funds	Total Governmental Funds
<b>REVENUE:</b>					
Local Sources:					
Local Tax	\$ 1,624,973	\$ 102,061	\$ 379,272	\$ 297,447	\$ 2,403,753
Tuition	264,514	-	-	-	264,514
Other	115,977	1,370	39,693	232,129	389,169
Intermediate Source	24,494	-	-	-	24,494
State Sources	2,695,663	80	-	160	2,695,903
Federal Sources	264,126	-	-	-	264,126
Total Revenue	4,989,747	103,511	418,965	529,736	6,041,959
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular Instruction	2,372,070	-	-	11,350	2,383,420
Special Instruction	882,231	-	-	-	882,231
Other Instruction	360,340	-	-	128,520	488,860
Support Services:					
Student Services	118,532	-	-	-	118,532
Instructional Staff Services	42,363	-	-	4,504	46,867
Administration Services	508,624	-	-	48,401	557,025
Operation and Maintenance	445,282	-	-	69,046	514,328
Transportation Services	246,666	-	-	140,757	387,423
Non-instructional Programs	24,494	-	-	-	24,494
Other Expenditures:					
Facilities Acquisition and Construction Services	-	-	461,812	216,062	677,874
Long-term Debt:					
Principal	-	140,000	-	-	140,000
Interest and Fiscal Charges	-	113,058	-	-	113,058
AEA Flowthrough	233,110	-	-	-	233,110
Total Expenditures	5,233,712	253,058	461,812	618,640	6,567,222
Excess (Deficiency) of Revenues Over Expenditures	(243,965)	(149,547)	(42,847)	(88,904)	(525,263)
Other Financing Sources (Uses):					
Transfers In	-	214,259	-	100,000	314,259
Transfers Out	-	-	(314,259)	-	(314,259)
Issuance of Long-Term Debt	-	-	1,000,000	-	1,000,000
Total Other Financing Sources (Uses)	-	214,259	685,741	100,000	1,000,000
Net Change in Fund Balances	(243,965)	64,712	642,894	11,096	474,737
Fund Balances - Beginning of Year	652,405	5,679	502,816	361,724	1,522,624
Prior Period Adjustment				80,890	80,890
Fund Balances - Beginning of Year, Restated	652,405	5,679	502,816	442,614	1,603,514
Fund Balances - End of Year	\$ 408,440	\$ 70,391	\$ 1,145,710	\$ 453,710	\$ 2,078,251

**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2007**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 18)	\$ 474,737
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 832,334	
Depreciation expense	<u>(212,094)</u>	620,240

Transfers of governmental capital assets to enterprise assets reported in the Statement of Activities do not use current financial resources so they are not reported as expenses in the funds.	(4,493)
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Prepaid insurance is not reported in the governmental funds as it is not available to provide current financial resources	67,540
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Accrued interest expense that does not require current financial resources.	(7,560)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	(57,370)
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The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities.	4,117
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Long-term accrual of compensated absences is not reported in the governmental funds as it does not consume current financial resources. The net change in in the long-term compensated absences for the year was:	(469)
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The issuance of indebtedness provides current financial resources to the governmental funds without affecting net assets. The statement of activities does not reflect the proceeds from the issuance of long-term debt. The proceeds from the issuance of long-term debt was as follows:

LOST revenue bonds	(1,000,000)
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The repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. The principal paid on long-term debt during the current year was as follows:

G.O. bonds payable	<u>140,000</u>
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Change in net assets of governmental activities (page 15)	<u>\$ 236,742</u>
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**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2007**

	<b>Business Type Activity School Nutrition Fund</b>
<b>ASSETS</b>	
<b>Current Assets:</b>	
Accounts Receivable	\$ 500
Inventories	14,354
Total Current Assets	<u>14,854</u>
<b>Noncurrent Assets:</b>	
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	<u>23,192</u>
Total Noncurrent Assets	<u>23,192</u>
Total Assets	<u>38,046</u>
<b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Cash Deficit	1,569
Accounts Payable	19
Due to Other Funds	22,471
Unearned Revenue	3,173
Total Current Liabilities	<u>27,232</u>
Total Liabilities	<u>27,232</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	23,192
Unrestricted	(12,378)
Total Net Assets	<u>\$ 10,814</u>

See Accompanying Notes to Financial Statements

**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Business Type Activity School Nutrition Fund</u>
Operating Revenues:	
Charges for services	\$ 149,473
Miscellaneous	75
Total Operating Revenue	<u>149,548</u>
Operating Expenses:	
Non-Instructional Programs:	
Food Service Operations:	
Salaries	80,348
Benefits	36,752
Purchased Services	3,449
Supplies	150,073
Depreciation	2,489
Total Operating Expenses	<u>273,111</u>
Operating Loss	<u>(123,563)</u>
Non-Operating Revenues :	
Interest Income	65
State Lunch Reimbursements	3,514
National School Lunch Program	87,756
Federal Food Commodities Received	18,436
Total Non-Operating Revenues	<u>109,771</u>
Loss before Contributions	(13,792)
Other Financing Sources:	
Capital Contributions	4,493
Total Other Financing Sources	<u>4,493</u>
Change in net assets	(9,299)
Net Assets - Beginning	<u>20,113</u>
Net Assets - Ending	<u><u>\$ 10,814</u></u>

**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007**

	<b>Business Type Activity School Nutrition Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from sale of lunches and breakfasts	\$ 152,221
Cash paid to employees for services	(117,100)
Cash paid to suppliers for goods or services	(138,802)
Total cash (used) by operating activities	<u>(103,681)</u>
<b>Cash flows from noncapital financing activities:</b>	
State grants received	3,514
Federal grants received	87,756
Cash received from other funds	22,471
Total cash provided by noncapital financing activities	<u>113,741</u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets	<u>(14,471)</u>
<b>Cash flows from investing activities:</b>	
Interest on investments	<u>65</u>
Net (decrease) in cash and cash equivalents	(4,346)
Cash and cash equivalents - beginning of year	<u>2,777</u>
Cash and cash equivalents - end of year	<u><u>\$ (1,569)</u></u>
<b>Reconciliation of operating (loss) to net cash used by operating activities:</b>	
Operating (loss)	(123,563)
Adjustments to reconcile net operating (loss) to net cash (used) by operating activities:	
Depreciation expense	2,489
Commodities used	18,436
(Increase) decrease in assets and increase (decrease) in liabilities:	
Accounts Receivable	(500)
Inventories	(3,151)
Accounts Payable	(565)
Unearned Revenue	<u>3,173</u>
Net cash (used) by operating activities	<u><u>\$ (103,681)</u></u>
<b>Non-cash investing, capital and financing activities:</b>	
Federal food commodities received	<u>\$ 18,436</u>
Capital contributions	<u><u>\$ 4,493</u></u>

See Accompanying Notes to Financial Statements



**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUNDS  
JUNE 30, 2007**

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**ASSETS**

Cash and Pooled Investments	\$ 26,200
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<b>Total Assets</b>	<u>26,200</u>
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**LIABILITIES**

Due to Others	<u>26,200</u>
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<b>Total Liabilities</b>	<u>26,200</u>
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**NET ASSETS**

Unrestricted	<u>-</u>
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<b>Total Net Assets</b>	<u><u>\$ -</u></u>
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See Accompanying Notes to Financial Statements

**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Boyden-Hull Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Hull and Boyden, Iowa, and the predominate agricultural territory in Sioux and Lyon Counties in Iowa. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Government Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Boyden-Hull Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District.

In August 1997 the District established the Boyden-Hull Community School District Foundation by appointing a board of trustees to incorporate a foundation under the Iowa Non-Profit Corporation Act, Iowa Code Chapter 504A. The focus of the Foundation is exclusively for charitable, scientific, and educational purposes of the District. The financial activity of the Foundation is included in the financial statements of the Boyden-Hull Community School District as a blended component unit for the year ended June 30, 2007.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Sioux and Lyon County Assessor's Conference Boards.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects LOST Fund is used to account for the collection of a 1% school local sales and services tax to be expended for school infrastructure purposes.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Funds are used to account for assets held by the District as an agent for individuals. The Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus and Basis of Accounting**

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the district.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities and Fund Equity**

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Restricted Assets – Certain resources set aside for debt repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants and they are maintained in separate bank accounts.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of \$1,000.

**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Capital Assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-20 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, were paid in June of 2007.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end, excluding grant receivables.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**NOTE 2 – CASH AND POOLED INVESTMENTS**

The District's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies, certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust, as follows:

	<b>Amortized Cost</b>
Diversified Portfolio	<u>\$ 47,530</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

**NOTE 3 – INTERFUND BALANCES**

The detail of interfund receivables and payables at June 30, 2007 is as follows:

<b>Fund Due To</b>	<b>Fund Due From</b>	<b>Amount</b>	
General	School Nutrition	\$ 10,000	*
Special Revenue – PPEL	School Nutrition	12,471	**
		<u>\$ 22,471</u>	

\* The purpose of the interfund balance is to help finance the short-term cash shortage in the School Nutrition Fund.

\*\* The School Nutrition Fund is repaying the Physical Plant and Equipment Levy Fund for purchasing equipment. The balance will be repaid by June 30, 2008.

**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

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**NOTE 4 – INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<b>Transfer To</b>	<b>Transfer From</b>	<b>Amount</b>
Special Revenue - PPEL	Capital Project – LOST	\$ 100,000
Debt Service	Capital Project – LOST	214,259
		<u>\$ 314,259</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**NOTE 5 – IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP)**

The District participates in the Iowa School Cash Anticipation (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semi-annual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. The District did not participate in any issuances during this fiscal year.



**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balance July 1, 2006	Additions	Deletions	Transfer	Balance June 30, 2007
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 318,751	\$ -	\$ -	\$ -	\$ 318,751
Construction in Progress	-	585,767	-	-	585,767
Total capital assets not being depreciated	318,751	585,767	-	-	904,518
Capital assets being depreciated:					
Land Improvements	518,505	55,768	-	-	574,273
Buildings	578,465	-	-	-	578,465
Building Improvements	4,075,678	-	-	-	4,075,678
Furniture and equipment	720,615	58,604	35,739	(5,865)	737,615
Vehicles	530,093	142,274	21,500	-	650,867
Total capital assets being depreciated	6,423,356	256,646	57,239	(5,865)	6,616,898
Less: Accumulated Depreciation for:					
Land Improvements	445,057	6,835	-	-	451,892
Buildings	361,612	5,483	-	-	367,095
Building Improvements	1,117,270	81,811	-	-	1,199,081
Furniture and equipment	408,228	77,893	25,660	(1,372)	459,089
Vehicles	413,439	40,072	21,500	-	432,011
Total Accumulated Depreciation	2,745,606	212,094	47,160	(1,372)	2,909,168
Total capital assets being depreciated, net	3,677,750	44,552	10,079	(4,493)	3,707,730
Governmental activities capital assets, net	\$ 3,996,501	\$ 630,319	\$ 10,079	\$ (4,493)	\$ 4,612,248

Construction in progress at June 30, 2007, for the governmental activities consisted of costs associated with the elementary school addition and greenhouse project.

	Balance July 1, 2006	Additions	Deletions	Transfer	Balance June 30, 2007
<b>Business-type Activities:</b>					
Furniture and equipment	\$ 51,596	\$ 15,614	\$ 2,000	\$ 5,865	\$ 71,075
Less: Accumulated Depreciation	44,879	2,489	857	1,372	47,883
Business-type activities capital assets, net	\$ 6,717	\$ 13,125	\$ 1,143	\$ 4,493	\$ 23,192

Depreciation expense was charged to the functions as follows:

<b>Governmental Activities:</b>	
Regular Instruction	\$ 51,277
Other Instruction	12,970
Administration Services	1,378
Operation and Maintenance	12,268
Transportation Services	94,129
Facilities Acquisitions	40,072
Total depreciation expenses – governmental activities	\$ 212,094
<b>Business-type activities:</b>	
Food Service Operations	\$ 2,489

**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

**NOTE 6 – CAPITAL ASSETS – (CONTINUED)**

**Reconciliation of Invested in Capital Assets:**

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>
Land	\$ 318,751	\$ -
Construction in Progress	585,767	-
Capital Assets (net of accumulated depreciation)	3,707,730	23,192
Less: Bonds Payable	3,300,000	-
Invested in Capital Assets, Net of Related Debt	<u>\$ 1,312,248</u>	<u>\$ 23,192</u>

**NOTE 7 – LONG-TERM LIABILITIES**

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental Activities:</b>					
General Obligations Bonds	\$ 2,440,000	\$ -	\$ 140,000	\$ 2,300,000	\$ 145,000
LOST Revenue Bonds	-	1,000,000	-	1,000,000	142,857
Early Retirement	56,872	73,223	15,772	114,323	91,620
Compensated Absences	7,214	12,238	11,769	7,683	7,683
Governmental Activities Long-Term Liabilities	<u>\$ 2,504,086</u>	<u>\$ 1,085,461</u>	<u>\$ 167,541</u>	<u>\$ 3,422,006</u>	<u>\$ 387,160</u>

**General Obligation Bonds**

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for governmental activities. These bonds are direct obligations and pledge the full faith and credit of the District.

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

<b>Year Ending June 30</b>	<b>Bond Issue of June 1, 1999</b>		
	<b>Interest Rate</b>	<b>Principal</b>	<b>Interest</b>
2008	5.00%	\$ 145,000	\$ 105,658
2009	4.90%	155,000	98,408
2010	4.30%	160,000	90,813
2011	4.30%	170,000	83,933
2012	4.40%	180,000	76,623
2013-2017	4.40-4.70%	1,015,000	256,520
2018-2019	4.75%	475,000	34,201
Total		<u>\$ 2,300,000</u>	<u>\$ 656,156</u>

**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

**NOTE 7 – LONG-TERM LIABILITIES – (CONTINUED)**

**Revenue Bonds**

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

1. The proceeds from the issuance of the revenue bonds shall be deposited to the Project Account.
2. All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
3. Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements each month of the fiscal year. The Sinking Account is shown as a restricted asset in the Capital Project LOST fund.
4. Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

The District was in compliance with all of the provisions during the year ended June 30, 2007.

Details of the District's June 30, 2007 local option sales and services tax revenue bonded indebtedness are as follows:

<b>Bond Issue of April 25, 2007</b>			
<b>Year Ending June 30</b>	<b>Interest Rate</b>	<b>Principal</b>	<b>Interest</b>
2008	4.75%	\$ 142,857	\$ 48,857
2009	4.75%	142,857	37,321
2010	4.75%	142,857	30,536
2011	4.75%	142,857	23,750
2012	4.75%	142,857	16,964
2013-2014	4.75%	285,715	13,572
Total		<u>\$ 1,000,000</u>	<u>\$ 171,000</u>

**Early Retirement**

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five. Employees must complete an application, which is required, to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to the number of years of service multiplied by 2.25% times the employee's final salary and subject to a maximum of \$26,100 per individual. Early retirement benefits paid during the year ended June 30, 2007, totaled \$15,772. The cost of early retirement payments liquidated within 60 days is recorded as a liability of the Special Revenue – Management Levy Fund in the fund financial statements. The non-current portion of the retirement is recorded in the government-wide financial statements.

**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

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**NOTE 8 – PENSION AND RETIREMENT BENEFITS**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006, and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$181,441, \$165,997, and \$147,791 respectively, equal to the required contributions for each year.

**NOTE 9 – RISK MANAGEMENT**

Boyden-Hull Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 10 – AREA EDUCATION AGENCY**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$233,110 for the year ended June 30, 2007 and is recorded in the General Fund.

**NOTE 11 – CONSTRUCTION COMMITMENT**

The District has entered into two contracts totaling \$1,083,000 for the elementary school addition. As of June 30, 2007, costs of \$546,520 had been incurred against the contracts. The balance of \$536,480 remaining at June 30, 2007 will be paid as work on the project progresses.

**NOTE 12 – PRIOR PERIOD ADJUSTMENT**

For the year ended June 30, 2006, the activity in the Special Revenue – Foundation Fund had not been included in the financial statements. The error has been corrected and has had the following effect on the beginning fund balance:

	<b>Foundation Fund</b>
Beginning Fund Balance, As Previously Reported	\$ -
Prior Period Adjustment	85,213
Beginning Fund Balance, As Correct	<u>\$ 85,213</u>

**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

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**NOTE 12 – PRIOR PERIOD ADJUSTMENT (CONTINUED)**

In the financial statements for the year ended June 30, 2006, an error was made in accounting for the activity in the Agency – Employee Pop Fund. The activity was recorded in the Special Revenue – Gift and Trust Fund, but it should have been recorded as an Agency Fund since this money does not belong to the Boyden-Hull Community School District. The error has been corrected and has had the following effect on the beginning fund balance:

	<b>Gift &amp; Trust Fund</b>
Beginning Fund Balance, As Previously Reported	\$ 7,678
Prior Period Adjustment	(4,323)
Beginning Fund Balance, As Correct	<u>\$ 3,355</u>

This error also had the following effect on the beginning balances in the Agency Fund:

	<b>Employee Pop Account</b>
Beginning Asset Balance, As Previously Reported	\$ -
Prior Period Adjustment	4,323
Beginning Asset Balance, As Corrected	<u>\$ 4,323</u>
Beginning Liability Balance, As Previously Reported	\$ -
Prior Period Adjustment	4,323
Beginning Liability Balance, As Corrected	<u>\$ 4,323</u>

For the year ended June 30, 2006, an error was made in the accounting for the activity in the Agency – Employee Flex Fund. The activity had been recorded as a proprietary fund. Since this money is not the property of the District, this activity should have been recorded as an Agency Fund. The error has been corrected and has had the following effect on the Agency Fund beginning balances:

	<b>Employee Flex Account</b>
Beginning Asset Balance, As Previously Reported	\$ -
Prior Period Adjustment	8,656
Beginning Asset Balance, As Corrected	<u>\$ 8,656</u>
Beginning Liability Balance, As Previously Reported	\$ -
Prior Period Adjustment	8,656
Beginning Liability Balance, As Corrected	<u>\$ 8,656</u>

There would be no change to the Beginning Fund Balance in the Proprietary Fund since the assets and liabilities were equal.

**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN BALANCES -**  
**BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Governmental</u>	<u>Proprietary</u>	<u>Total</u>	<u>Final Budget</u>
	<u>Original</u>	<u>Amended</u>	<u>Funds</u>	<u>Fund</u>	<u>Actual</u>	<u>to Actual</u>
			<u>Actual</u>	<u>Actual</u>		<u>Variance</u>
<b>REVENUE:</b>						
Local Sources:						
Local Tax	\$ 1,997,694	\$ 1,997,694	\$ 2,403,753	\$ -	\$ 2,403,753	\$ 406,059
Tuition	310,000	310,000	264,514	-	264,514	(45,486)
Other	518,450	518,450	389,169	154,106	543,275	24,825
Intermediate Sources	-	-	24,494	-	24,494	24,494
State Sources	3,433,427	3,433,427	2,695,903	3,514	2,699,417	(734,010)
Federal Sources	361,550	361,550	264,126	106,192	370,318	8,768
Total Revenue	6,621,121	6,621,121	6,041,959	263,812	6,305,771	(315,350)
<b>EXPENDITURES:</b>						
Current:						
Instruction	3,953,000	3,953,000	3,754,511	-	3,754,511	198,489
Support Services	1,682,150	1,682,150	1,624,175	-	1,624,175	57,975
Non-instructional Programs	337,250	337,250	24,494	273,111	297,605	39,645
Other Expenditures	971,855	971,855	1,164,042	-	1,164,042	(192,187)
Total Expenditures	6,944,255	6,944,255	6,567,222	273,111	6,840,333	103,922
Excess (Deficiency) of Revenues Over Expenditures	(323,134)	(323,134)	(525,263)	(9,299)	(534,562)	(211,428)
Other Financing Sources (Uses):						
Transfers In	250,000	250,000	314,259	-	314,259	64,259
Transfers Out	(350,000)	(350,000)	(314,259)	-	(314,259)	35,741
Issuance of Long-Term Debt	-	-	1,000,000	-	1,000,000	1,000,000
Total Other Financing Sources (Uses)	(100,000)	(100,000)	1,000,000	-	1,000,000	1,100,000
Net Change in Fund Balances	(423,134)	(423,134)	474,737	(9,299)	465,438	888,572
Fund Balances - Beginning of Year, As Restated	1,623,627	1,623,627	1,603,514	20,113	1,623,627	-
Fund Balances - End of Year	\$ 1,200,493	\$ 1,200,493	\$ 2,078,251	\$ 10,814	\$ 2,089,065	\$ 888,572

**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT**  
**Notes to Required Supplementary Information – Budgetary Reporting**  
**June 30, 2007**

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The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except the internal service fund and the agency fund. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2007, the District had no budget amendments.

During the year ended June 30, 2007, expenditures in the other expenditures function exceeded the amount budgeted.

**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2007**

Schedule 1

**REVENUES:**

Local Sources:

Local Tax:

Property Tax	\$ 1,495,878
Mobile Home Tax	2,014
Utility Tax Replacement Excise Tax	47,223
Surtax	79,858
	<u>1,624,973</u>

Other Local Sources:

Interest on Investments	43,782
Tuition from Individuals	264,514
Tuition from Other Districts	32,720
Transportation Fees	892
Rent	9,699
Miscellaneous	53,378
	<u>404,985</u>
	<u>2,029,958</u>

State Sources:

State Foundation Aid	2,141,793
Instructional Support State Aid	15,061
Beginning Teacher Mentoring Program	5,200
Educational Excellence Program:	
Phase I	23,079
Phase II	49,132
Non-Public Transportation Aid	44,999
Non-Public Textbook and Technology Aid	8,615
Improving Teacher Quality	122,610
Vocational Education Aid	6,460
Revenue in lieu of taxes - military credit	1,013
AEA Flow-Through	233,110
Iowa Early Intervention Block Grant	40,591
Other State Aid	4,000
	<u>2,695,663</u>

Federal Sources:

Title I Grants to Local Educational Agencies	85,665
Safe and Drug-Free Schools and Communities-States Grants	1,900
Vocational Education - Basic Grants to States	6,645
Special Education - Grants to States	44,460
Title II Improving Teacher Quality State Grants	25,947
Title VI Grants for Assessments and Related Activities	4,340
Medicaid	93,185
Other	1,984
	<u>264,126</u>
Total Revenue	<u>\$ 4,989,747</u>

Continued



**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2007**

Schedule 1 (Continued)

**EXPENDITURES:**

**Instruction:**

Regular Instruction:

Salaries	\$ 1,695,666
Benefits	401,876
Services	176,304
Supplies	91,357
Property	6,867
	<u>2,372,070</u>

Special Education Instruction:

Salaries	463,806
Benefits	120,891
Services	270,975
Supplies	12,055
Property	14,504
	<u>882,231</u>

Vocational Instruction:

Salaries	184,160
Benefits	45,294
Supplies	2,566
Property	6,935
	<u>238,955</u>

Co-curricular Instruction:

Salaries	84,581
Benefits	10,880
Services	17,309
Property	
	<u>112,770</u>

Nonpublic Instruction:

Supplies	8,615
	<u>8,615</u>

**Total Instruction**

3,614,641

**Support Services:**

**Student Services:**

Guidance Services:

Salaries	75,801
Benefits	17,794
Services	391
Supplies	393
Property	189
	<u>\$ 94,568</u>

Continued

**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2007**

Schedule 1 (Continued)

**Support Services (Continued):**

**Student Services (Continued):**

Health Services:

Salaries	\$ 14,010
Benefits	8,902
Supplies	1,052
	<u>23,964</u>

<b>Total Student Services</b>	<u>118,532</u>
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**Support Services:**

**Instructional Staff Services:**

Educational Media Services:

Salaries	26,869
Benefits	9,942
Services	252
Supplies	5,300
	<u>42,363</u>

<b>Total Instructional Staff Services</b>	<u>42,363</u>
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**Support Services:**

**Administration Services:**

Executive Administration:

Salaries	122,242
Benefits	33,960
Services	2,201
Supplies	772
Property	1,327
Other	3,064
	<u>163,566</u>

School Administration:

Salaries	199,679
Benefits	47,071
Services	546
Supplies	3,005
Property	250
Other	1,483
	<u>\$ 252,034</u>

Continued

**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2007**

Schedule 1 (Continued)

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**Support Services (Continued):**

**Administration Services (Continued):**

Business Administration:

Salaries	\$ 41,710
Benefits	5,397
Services	10,203
Supplies	2,733
Property	1,312
Other	547
	<u>61,902</u>

Board of Education:

Services	24,843
Supplies	1,820
Other	4,459
	<u>31,122</u>

**Total Administration Services:**

508,624

**Support Services:**

**Operation and Maintenance:**

Plant Operation and Maintenance:

Salaries	123,511
Benefits	28,213
Services	43,989
Supplies	154,359
Property	1,142
Other	149
	<u>351,363</u>

Other Support Services:

Salaries	49,251
Benefits	13,169
Services	8,807
Supplies	10,932
Property	11,760
	<u>93,919</u>

**Total Operation and Maintenance:**

\$ 445,282

Continued

**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2007**

Schedule 1 (Continued)

<b>Support Services:</b>	
<b>Student Transportation:</b>	
Salaries	\$ 85,511
Benefits	12,306
Services	66,558
Supplies	70,509
Property	11,112
Other	670
	<u>246,666</u>
<b>Total Transportation Services:</b>	<u>246,666</u>
<b>Total Support Services</b>	<u>1,361,467</u>
<b>Non-instructional Programs:</b>	
Community Services:	
Salaries	16,248
Benefits	2,059
Supplies	6,187
	<u>24,494</u>
<b>Total Transportation Services:</b>	<u>24,494</u>
<b>Other Expenditures:</b>	
AEA Flow-Through	<u>233,110</u>
<b>Total Expenditures</b>	<u>5,233,712</u>
<b>Excess of Revenues Over Expenditures</b>	<u>(243,965)</u>
<b>Fund Balance - Beginning of Year</b>	<u>652,405</u>
<b>Fund Balance - End of Year</b>	<u><u>\$ 408,440</u></u>

**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
GOVERNMENTAL NONMAJOR FUNDS  
JUNE 30, 2007**

	Special Revenue Funds		
	Physical Plant & Equipment Levy	Management Levy	Student Activity
<b>ASSETS</b>			
Cash and Pooled Investments	\$ 219,027	\$ 72,405	\$ 56,109
Receivables:			
Property Tax	1,033	1,620	-
Succeeding Year Property Tax	101,041	120,000	-
Accounts	-	-	737
Due from Other Funds	12,471	-	-
Total Assets	333,572	194,025	56,846
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	71,739	-	-
Early Retirement Payable	-	3,066	-
Deferred Revenue - Succeeding Year			
Property Taxes	101,041	120,000	-
Total Liabilities	172,780	123,066	-
Fund Balances:			
Unreserved for:			
Special Revenue Fund	160,792	70,959	56,846
Total Fund Balances	160,792	70,959	56,846
Total Liabilities and Equity	\$ 333,572	\$ 194,025	\$ 56,846

Schedule 2

Special Revenue Funds

Foundation	Gift & Trust	Total
\$ 162,448	\$ 2,665	\$ 512,654
-	-	2,653
-	-	221,041
-	-	737
-	-	12,471
162,448	2,665	749,556
-	-	71,739
-	-	3,066
-	-	221,041
-	-	295,846
162,448	2,665	453,710
162,448	2,665	453,710
\$ 162,448	\$ 2,665	\$ 749,556

**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL NONMAJOR FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007**

	<b>Special Revenue Funds</b>		
	<b>Physical Plant &amp; Equipment Levy</b>	<b>Management Levy</b>	<b>Student Activity</b>
<b>REVENUE:</b>			
Local Sources:			
Local Tax	\$ 153,398	\$ 144,049	\$ -
Other	4,100	10,839	134,193
State Sources	66	94	-
Total Revenue	<u>157,564</u>	<u>154,982</u>	<u>134,193</u>
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Regular Instruction	-	11,350	-
Other Instruction	-	-	128,520
Support Services:			
Instructional Staff Services	-	4,504	-
Administration Services	-	41,949	-
Operation and Maintenance	52,336	16,710	-
Transportation Services	131,162	9,595	-
Other Expenditures:			
Facilities Acquisition and Construction	216,062	-	-
Total Expenditures	<u>399,560</u>	<u>84,108</u>	<u>128,520</u>
Excess(Deficiency) of Revenues Over Expenditures	<u>(241,996)</u>	<u>70,874</u>	<u>5,673</u>
Other Financing Sources (Uses):			
Transfers In	100,000	-	-
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(141,996)	70,874	5,673
Fund Balances - Beginning of Year	302,788	85	51,173
Prior Period Adjustment	-	-	-
Fund Balances - Beginning of Year, Restated	<u>302,788</u>	<u>85</u>	<u>51,173</u>
Fund Balances - End of Year	<u>\$ 160,792</u>	<u>\$ 70,959</u>	<u>\$ 56,846</u>

**Schedule 3**

**Special Revenue Funds**

Foundation	Gift & Trust	Total
\$ -	\$ -	\$ 297,447
82,177	820	232,129
-	-	160
82,177	820	529,736
-	-	11,350
-	-	128,520
-	-	4,504
4,942	1,510	48,401
-	-	69,046
-	-	140,757
-	-	216,062
4,942	1,510	618,640
77,235	(690)	(88,904)
-	-	100,000
-	-	100,000
77,235	(690)	11,096
-	7,678	361,724
85,213	(4,323)	80,890
85,213	3,355	442,614
\$ 162,448	\$ 2,665	\$ 453,710



**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

					Schedule 4	
	Balance June 30, 2006	Revenues	Expenditures	Operating Transfers	Balance June 30, 2007	
Athletic General	\$ -	\$ 25,781	\$ 17,654	\$ (8,127)	\$ -	
Band	-	526	969	1,012	569	
Band Uniform Maintenance	323	380	369		334	
Baseball	-		1,635	1,635	-	
Boys Basketball	-	7,522	6,598	(924)	-	
Boys Track	-	1,484	2,772	1,288	-	
Cheerleaders	4,847	2,129	4,483	(2)	2,491	
Choir Robes	869	330			1,199	
Class of 2008	3,611	8,838	8,504	1	3,946	
Class of 2009	1,672	1,069			2,741	
Class of 2010	-	1,360			1,360	
Class of 2007	4,185		4,185		-	
Cross Country	-	220	440	220	-	
Elementary Band	-	72	158	86	-	
Elementary Student Council	1,326	6,186	3,112	(1)	4,399	
Elementary Student Miscellaneous	76	209	202		83	
Family Career Community Leader of America	1,082	2,460	1,731	1	1,812	
Football	-	5,400	7,183	1,783	-	
Future Farmers of America	7,711	3,648	5,038	1	6,322	
General Miscellaneous	-		117	117	-	
Girls Basketball	-	5,882	6,301	419	-	
Girls Track	-	2,045	3,513	1,468	-	
Golf	-		1,089	1,089	-	
High School Student Council	1,334	7,602	5,852	1	3,085	
Interest	6,942	2,341	142	(2,618)	6,523	
Junior High Band	-	242	247	5	-	
Junior High Student Council	96	94	23		167	
Magazine Sales	-	4,033	4,033		-	
Musical	338			(338)	-	
National Honor Society	29				29	
Pep Bus/Students	4				4	
Pep Club	2,524	4,766	3,398	(1)	3,891	
Quiz Bowl	635	405	59		981	
Recycling	2,840	5,476	4,499	(1)	3,816	
Resale Elementary Band	111	580	638	1	54	
Resale High School Band	107	396	322	1	182	
Resale Industrial Arts	62	2,293	2,167		188	
Resale Marketing	4,823	1,857	2,205	1	4,476	
School Play	-	1,173	1,076	(97)	-	
Sixth Grade Trip	4,457	7,210	7,141		4,526	
Softball	-	30	1,500	1,470	-	
Spanish Club	1,169				1,169	
Speech	-	263	672	409	-	
Swing Show	-	2,205	22	(2,183)	-	
Vocal	-	814	1,325	1,080	569	
Volleyball	-	2,700	3,186	486	-	
Wrestling	-		1,718	1,718	-	
Yearbook	-	14,172	12,242		1,930	
<b>Total</b>	<b>\$ 51,173</b>	<b>\$ 134,193</b>	<b>\$ 128,520</b>	<b>\$ -</b>	<b>\$ 56,846</b>	

**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT  
COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUNDS  
JUNE 30, 2007**

**Schedule 5**

	Employee Pop Account	Employee Flex Account	Total
<b>ASSETS</b>			
Cash and Pooled Investments	\$ 4,558	\$ 21,642	\$ 26,200
<b>Total Assets</b>	<u>4,558</u>	<u>21,642</u>	<u>26,200</u>
<b>LIABILITIES</b>			
Due to Others	4,558	21,642	26,200
<b>Total Liabilities</b>	<u>\$ 4,558</u>	<u>\$ 21,642</u>	<u>\$ 26,200</u>

**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007**

**Schedule 6**

	<b>Balance July 1, 2006</b>	<b>Prior Period Adjustment</b>	<b>Balance July 1, 2006 As Restated</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2007</b>
<b>Employee Pop Account</b>						
<b>Assets</b>						
Cash and Pooled Investments	\$ -	\$ 4,323	\$ 4,323	\$ 2,667	\$ 2,432	\$ 4,558
Total Assets	-	4,323	4,323	2,667	2,432	4,558
<b>Liabilities</b>						
Due to Others	-	4,323	4,323	2,432	2,667	4,558
Total Liabilities	-	4,323	4,323	2,432	2,667	4,558
<b>Employee Flex Account</b>						
<b>Assets</b>						
Cash and Pooled Investments	-	8,656	8,656	21,762	8,776	21,642
Total Assets	-	8,656	8,656	21,762	8,776	21,642
<b>Liabilities</b>						
Due to Others	-	8,656	8,656	8,776	21,762	21,642
Total Liabilities	-	8,656	8,656	8,776	21,762	21,642
<b>Total</b>						
<b>Assets</b>						
Cash and Pooled Investments	-	12,979	12,979	24,429	11,208	26,200
Total Assets	-	12,979	12,979	24,429	11,208	26,200
<b>Liabilities</b>						
Due to Others	-	12,979	12,979	11,208	24,429	26,200
Total Liabilities	\$ -	\$ 12,979	\$ 12,979	\$ 11,208	\$ 24,429	\$ 26,200

**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION**  
**ALL GOVERNMENTAL FUNDS**  
**FOR THE YEARS ENDED JUNE 30, 2007, 2006, 2005, 2004**

Schedule 7

	<b>Modified Accrual Basis of Accounting</b>			
	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>Revenues:</b>				
Local Sources:				
Local Tax	\$ 2,403,753	\$ 2,293,349	\$ 2,298,543	\$ 2,198,648
Tuition	264,514	294,581	251,351	216,390
Other	413,663	306,137	247,944	212,844
Intermediate Sources	-	18,845	-	-
State Sources	2,695,903	2,903,503	2,685,069	2,303,009
Federal Sources	264,126	292,622	270,810	181,202
Total	<u>6,041,959</u>	<u>6,109,037</u>	<u>5,753,717</u>	<u>5,112,093</u>
<b>Expenditures:</b>				
Instruction:				
Regular	2,383,420	2,428,834	2,314,176	2,104,063
Special	882,231	769,968	804,400	741,219
Other	488,860	457,653	336,175	289,069
Support Services:				
Student	118,532	115,089	64,445	67,200
Instructional Staff	46,867	181,236	108,945	137,832
Administration	557,025	606,243	526,226	486,733
Operation and maintenance of plant	514,328	339,590	344,973	294,707
Transportation	387,423	206,688	229,499	170,991
Central support services	-	-	-	11,735
Non-instructional programs	24,494	18,502	29,768	7,176
Other Expenditures:				
Facilities Acquisition	677,874	166,595	67,055	175,629
Long-term debt:				
Principal	140,000	135,000	125,000	120,000
Interest and other charges	113,058	119,809	126,058	131,957
AEA Flowthrough	233,110	227,179	210,741	198,283
Total	<u>\$ 6,567,222</u>	<u>\$ 5,772,386</u>	<u>\$ 5,287,461</u>	<u>\$ 4,936,594</u>

**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007**

**Schedule 8**

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**Part I: Summary of the Independent Auditor's Results**

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance, which is material to the financial statements.

**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007**

**Schedule 8 (Continued)**

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**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

**No matters were reported.**

**There were no prior year audit findings.**

**SIGNIFICANT DEFICIENCIES:**

**II-A-07 Financial Accounting – Segregation of Duties**

Comment – One important aspect of internal control is the segregation of duties among employees to prevent an individual from handling duties, which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetuate and conceal errors or fraud. In performing our audit, we noted that one person has primary responsibility for many accounting and financial duties of the District.

Recommendations – The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Education and Superintendent remain actively involved in the financial affairs of the District to provide oversight and review functions. In addition, the District should periodically review the operating procedures and make changes as necessary to obtain the maximum internal control under the circumstances.

Response – District administration understands the nature of the weakness and the necessity for the Board and Superintendent to provide oversight and review functions. We will continue to review procedures of the District and make changes as deemed necessary and practical.

Conclusion – Response accepted.

**II-B-07 Financial Reporting**

Comment – During the audit, we identified material amounts of payables and capital asset additions not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include those amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all payables and capital asset additions are identified and included in the District's financial statements.

Response – We will double check these in the future to avoid missing any payables or capital asset transactions.

Conclusion – Response accepted.

**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007**

Schedule 8 (Continued)

**Part III: Other Findings Related to Statutory Reporting:**

- III-A-07      Certified Budget – Expenditures for the year ended June 30, 2007 exceeded the amount budgeted in the other expenditure function.  
Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.  
Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.  
Conclusion – Response accepted.
- III-B-07      Questionable Disbursements – No disbursements were noted that they may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-C-07      Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- III-D-07      Business Transactions – Business transactions between the District and District Officials are detailed as follows:
- | Name, Title and<br>Business Connection                    | Transaction<br>Description | Amount   |
|---|----------------------------|----------|
| Mark Warntjes, Board Member<br>Owner of Warntjes Electric | Electric Repair            | \$ 1,321 |
- III-E-07      Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- III-F-07      Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- III-G-07      Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- III-H-07      Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007**

**Schedule 8 (Continued)**

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- III-I-07      Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely but we noted activity for Special Revenue – Foundation Fund had not been included. The rest of the information contained in the report appeared to be materially correct.
- Recommendation – The District should include activity for all funds in the Certified Annual Report.
- Response – The District will verify the activity and funds prior to filing the Certified Annual Report.
- Conclusion – Response accepted.
- III-J-07      Deficit Balances – There were no deficit fund balances at June 30, 2007.
- III-K-07      Revenue Bonds – The required monthly transfers from the Revenue Account to the Sinking Account were made by the District.



**BOYDEN-HULL COMMUNITY SCHOOL DISTRICT**  
**Schedule of Prior Year Findings and Questioned Costs**  
**Year Ended June 30, 2007**

**Schedule 9**

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**II-A-06 Financial Accounting – Segregation of Duties**

Comment – One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. As in the prior year, we noted that control of blank purchase orders, processing of approved invoices, warrant preparation, access to cash and accounting records are handled in many cases by the same person. We also noted that responsibility for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting of cash receipts. Invoices were many times not cancelled to prevent repayment.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, one procedure to help improve internal control would be to have another person control purchase orders. Also another person could prepare bank deposits. Invoices paid from all funds should be clearly cancelled to prevent resubmission for payment.

Response – We will attempt to implement the recommendations and continue to monitor the internal control procedures.

Conclusion – Response accepted.



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of the  
Boyden-Hull Community School District

We have audited the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of BOYDEN-HULL COMMUNITY SCHOOL DISTRICT as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated January 8, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered Boyden-Hull Community District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Boyden-Hull Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Boyden-Hull Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Boyden-Hull Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the Boyden-Hull Community School District's financial statements that is more than inconsequential will not be prevented or detected by the Boyden-Hull Community School District's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings and Questioned Costs as items II-A-07 and II-B-07 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the Boyden-Hull Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies

that are also considered to be material weaknesses. However, we believe the significant deficiencies described above are material weaknesses.

Compliance:

As part of obtaining reasonable assurance about whether the Boyden-Hull Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

The Boyden-Hull Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit the Boyden-Hull Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the board of education, management, employees and citizens of Boyden-Hull Community School District and other parties to whom the Boyden-Hull Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Boyden-Hull Community School District during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

*Williams & Company, P.C.*  
Certified Public Accountants

Le Mars, Iowa  
January 8, 2008